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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Mr. William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.--Room 222  
Washington, D.C. 20554

Re: Inmate Calling Services --  
Billed Party Preference  
CC Docket No. 92-77  
Comments of James E. Lewis

Dear Mr. Caton:

1. If Bill Party Preference ("BPP") is approved, it could become a case study in how simply a market can be opened up to become a vastly more creative and versatile industry.

2. AT&T, MCI and other carriers are becoming more aggressive in their pricing and marketing (look at MCI's Maximum Security Inmate Services), and the RBOCs are looking to get into the game as well.

3. Much of BPP's success will be tied to the continued growth of all carriers and their ability to offer something different in a crowded and viciously competitive field.

4. Early on, the Independents seemed to establish a policy of giving the customer what they wanted (the Independents were the originators of inmate premised-base systems) -- no matter how unusual the request. But today, with a great majority of their client base being a captive one (prison inmates), the Independents seem to no longer remain customer-driven -- instead, "profit-driven" seems a more appropriate term.

5. To succeed in the telecommunications market the Independents must face off against local carriers as well as AT&T, MCI and Sprint. With these carriers having to grow ever more aggressive, so too should the Independents.

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6. In short, just as MCI and Sprint had to do in the wake of AT&T's divestiture, the Independents will have to start applying their existing services to new ends as well.

7. Will BPP be able to play a role in bringing better service to customers, or is BPP in over its head? The important challenge for the Independents will be to remain focused on becoming more creative and versatile (the exact ingredient MCI and Sprint used after AT&T's break-up).

8. The Independents have to be entrepreneurs at heart (like all successful businesses) who thrive on new ideas and making sales. And they must not lose their concentration as BPP allows the telecommunications market to grow and diversify. This could be their most formidable task.

9. The future of all carriers under BPP will depend on how well they are able to manage the balancing act between service and new technologies, which will generate profits for them in the future under the BPP ruling. To sit by content with the status quo (their present niches) is to risk becoming as irrelevant as party lines of yesteryear.

10. For a niche to be purposely maintained where one already existed would be self-defeating. AT&T's divestiture wasn't padded by allowing them to maintain a specific niche in its market. In such a light, prisons should not receive a special exemption under the BPP ruling.

11. With respect to fraud prevention, the RBOCs and the IXCs (through creativity and versatility) are presently capable of instituting network-based systems that will allow for even more versatility and security than any of the premised-based systems provided by the Independents (e.g. MCI's Maximum Security Inmate Service). (Also, see, MCI ex parte filing, November 24, 1993. -- and -- Id.; Sprint ex parte filing, December 17, 1993.)

12. In opposition to the following statements, to wit: "... without 0+ commissions, they [prisons] could be forced to limit inmate calling ...," and "... Independent ICS providers are [the only ones] willing to incur the significant ... expenses ... to install these systems [telephone lines and stations].... The end result [of the BPP ruling] may be that fewer correctional facilities will be able to offer inmate-only phones ...," one should keep in mind the following statements and facts: "57% of all intraLATA collect calls (local collect calls) handled by Bell Atlantic originate from inmate

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facilities." (See, e.g., Bell Atlantic ex parte filing, August 17, 1993.) "... inmate collect calls represent 40% of all collect calls handled through Pacific's network." (See, e.g., Pacific ex parte filing, July 6, 1993.)

13. If the Independents were to pull out their phone equipment from the prisons, it would be up to the RBOCs and the LECs to install phones within the prison facilities. And if, for example, Bell Atlantic and Pacific Bell are generating such revenues from inmate facilities, it is highly unlikely that they will refuse to install and maintain inmate phone lines and equipment. The average monthly cost for a single line and handset is \$55.00. These costs (which will then come to bear on the LECs) can easily be offset by the revenues earned through intraLATA collect call traffic alone generated from the inmate facility.

14. But in order to thwart other avenues of monopoly, the FCC will have to "...prohibit aggregators from programming their phones to convert ... [true] 0+ calls into calls that bypass the BPP system...." (FCC Further Notice of Proposed Rulemaking, at paragraph 82, FCC 94-117.)

15. Inmate Calling Service Providers (ICSP & Independents) are a very different sort of beast. Each prison facility represents a growing and potentially infinite number of on line hours, because of an "addictive factor" that might be better termed a "captivity factor." A sort of drug dealer paradigm might be: Make it easy for consumers (inmates) to get hooked on your stuff (calling ability being limited to presubscription only), then habit takes over (the limitation of making calls only via presubscription) and drives profits in exponential waves. This is how the Independents operate, and how their "niche" was built.

16. In a competitive market niches are not bad -- unless they are purposely provided for by those that are supposed to be administering for the good on behalf of the masses, resulting in a monopoly.

Respectfully submitted,

/s/

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